



John Salomone
Town Manager

TOWN OF NEWINGTON

131 CEDAR STREET
NEWINGTON, CONNECTICUT 06111

OFFICE OF THE TOWN MANAGER

March 1, 2012

Honorable Mayor and Members of the Town Council,

On behalf of the Town of Newington, I present the Town Manager's proposed Fiscal Year 2012 – 2013 budget for the General Government operations and the Board of Education. This budget strives to maintain the quality of services for Town residents and at the same time recognizes the overall impact of the economy and the Town's recent revaluation.

	FY 2011-12	FY 2012-13	\$ Change	% Change
Total Town Budget	\$100,902,993*	\$104,323,782	\$3,420,789	3.4

** This does not include the Special Appropriation of \$1.7 million

Budget Overview

The preparation of the FY 2012-13 budget was greatly complicated by the impact of the recession on property values within the Town of Newington. For the first time since the Town revalued property on a five or ten year cycle, the value of the Grand List was reduced by a total of 4.3%. Within this reduction of values was a shift to higher values on commercial property located on the Berlin Turnpike. The reduction of 5.7% on real estate property values was mitigated with an increase in personal property and motor vehicle values.

NET GRAND LIST				
CATEGORY	2010	2011	% CHANGE	\$ CHANGE
REAL ESTATE	\$2,346,306,368	\$2,213,614,991	-5.7%	\$(132,691,377)
PERSONAL PROPERTY	129,933,910	134,169,320	3.2%	4,235,410
MOTOR VEHICLE	<u>202,997,933</u>	<u>216,492,043</u>	6.6%	<u>13,494,110</u>
TOTAL	\$2,679,238,211	\$2,564,276,354	-4.3%	\$(114,961,857)

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The affects of revaluation are further complicated with fluctuations within classifications of property values. For example, about 80% of residential property values decreased while 20% remained the same or increased. Therefore, it is difficult to determine a tax increase or decrease because it depends upon the individual assessment of the property.

CATEGORY	Fiscal Year	Mill Rate	Average Assessment	Tax Amount	\$ Change	% Change
Residential	2011-12	30.02	156,380	4,695		
	2012-13	33.03	143,368	4,736	41	0.9%
Commercial	2011-12	30.02	811,944	24,375		
	2012-13	33.03	823,278	27,193	2,818	11.6%

With the exception of the substantial increase in the motor vehicle values, any growth in the 2011 Grand List would have been minimal. Without additional growth in the Town's Grand List for future fiscal years, it will be difficult to maintain services at the level expected by the community. There are indications that some growth will begin in FY 2012. If that occurs, then future budgets might enable the Town to sustain service levels without significant property tax increases.

In addition to property taxes, the Town receives approximately \$17.6 million from the State of Connecticut. It is significant to note that the Governor's proposed budget requests a slight increase in the Town's education grant funding. In addition, municipal aid is not expected to decrease this year.

Personnel

The Town has begun negotiations with the AFSCME bargaining unit for a successor agreement that will commence on July 1, 2012. We have allocated some funding for this successor agreement. The IBPO union has one more year remaining on their contract, which is budgeted in the proposed personnel costs. I recognize the outstanding contributions made by all Town employees, but I also realize that a frank discussion of the outstanding contract will be necessary to assist the Town in containing future personnel costs. We will try to be fair to all parties - Town employees and the citizens.

In general, there are no additional personnel proposed in this budget. You will note in certain budgets a reallocation of resources to reflect the changing priorities of the Town's services. Due to the changes made in the medical benefits area of the Town, these costs continue to be stable, which has assisted in curtailing the rising costs of Town budgets.

Elderly Tax Relief Program

Based upon preliminary discussions that occurred during recent Town Council goal setting sessions and meetings, I have included \$50,000 to increase the tax relief program for qualified senior citizens. This additional aid will assist senior residents in subsidizing taxes on their property. This cost will be accounted for on the expenditure side of the budget. In addition, I have included a \$50,000 increase in a tax relief program for qualified veterans which will be accounted for in the tax rate calculation, thus reducing our revenue from property taxes.

Facilities Management

The Town has closely monitored its utility and heating costs for this fiscal year. The renovation of the lower level of the Town Hall and subsequent relocation of departments has lowered some of the utility costs in the Town Hall. In addition, the Town has a more accurate expenditure estimate for heating the Town Hall and is yielding some savings with the installation of new boilers. The Town is also experiencing energy savings in the Library due to new control systems installed last year and the diligence of staff to monitor and conserve energy. However, the Town is clearly at a crossroads for infrastructure improvements to various Town buildings. I will discuss this in more detail in the CIP section of this letter.

Information Technology

As the Town provides increased access through technology improvements and software upgrades, additional costs are incurred. The companies that provide such software and maintenance agreements have gradually increased their fees. Recognizing this fact, the Town has increased its equipment maintenance for hardware and software by \$64,000.

Public Safety (Police and Fire)

The proposed FY2012–13 budget includes \$172,500 to fund the last year of a three-year agreement with Police Department unionized employees. In addition, you will note that savings in Overtime has leveled off since we are no longer budgeting additional personnel to the Police Department. Recognizing a difficult budget environment we have funded for three replacement patrol vehicles. We will closely monitor the maintenance costs as these vehicles age.

The Newington Volunteer Fire Department continues to succeed in recruiting and maintaining enough volunteers to maintain adequate emergency response. To properly outfit the new recruits, the Town continues to fund equipment and uniform expenditures. We have also budgeted significant Pay-As-You-Go expenditures in the CIP budget.

Engineering

With the retirement of the Town Engineer and the subsequent promotion of the Assistant Town Engineer, I am recommending a decrease of \$31,000, which reflects hiring or replacing personnel at a lower salary.

Public Works

In the FY2011-2012 budget message I discussed the Town's need to decide whether it would renew its contract with the Connecticut Resource Recovery Authority (CRRRA). The Town Council has decided to enter into a new resource recovery contract with Covanta for the next three fiscal years, commencing November 1, 2012. This will result in a reduction in disposal costs of approximately \$50,000 in the next fiscal year. The savings will increase in future fiscal years as the contract will encompass the entire year. It is important to note that these are significant and stable costs projected for three years. The CRRRA is now seeking special legislation to regulate electrical utility costs so that they can remain viable. If they are not successful in this legislation, the continued existence of CRRRA as presently structured may be in question and it is possible that the trash to energy facility in Hartford will "not be economically viable in future years"(from Thomas D. Kirk, President of CRRRA letter dated February 17, 2012.)

Although the Town was significantly impacted by the October/November snowstorm, the remainder of the winter has been unseasonably mild and dry. Even if the last month of winter is normal, the Town will still have a significant balance in this account at the end of this fiscal year. Therefore, I am recommending a \$95,000 reduction for purchase of enhanced salt in the Snow and Ice Control program. With the savings, I am able to fully fund the staffing of the Highway Department, which will increase the personnel line item by \$45,000. Finally, although there has been a significant increase in fuel costs, the Town has locked in 2011 December gasoline prices, which avoids the significant increase that occurred at the beginning of this calendar year.

Planning and Development

With retirement of the Town Planner, the Town has an opportunity to reconfigure the job duties of this position. During the recent Town Council goal setting session, a recommendation was made to include a part-time Economic Development position with savings that will occur with the hiring of a new Town Planner at a lower salary than previously paid. Thus, I am recommending the Town Council create such a position with a separate program budget of \$26,000, to include staffing and other support costs as necessary.

Human Services

With the retirement of the Director of Human Services and a reconfiguration of department staffing, a reduction of \$28,000 is recommended.

Parks and Recreation

Under the direction of the Parks and Recreation Superintendent, significant accountability for the department's separate Recreation Fund has continued to take place. Cost containment and other initiatives have enabled the department to fund most programs through user fees without additional tax revenue. I am therefore recommending a reduction of the \$25,000 subsidy to the Recreation Special Revenue Fund.

Medical Benefits, Town Insurance/Pension

This year both the Town and the Board of Education were able to contain the costs of health insurance. To recognize this trend, I am proposing maintaining the contribution to the Health Benefits Fund at the current level. Additionally, there is a shift of costs from the General Fund to the OPEB Trust Fund for retiree related expenses which creates a decrease in the Employee Benefit - Medical Insurance account of \$120,000.

Unfortunately, pension contributions for the Town's defined benefit pension plans continue to increase as the Town addresses the income reduction to the pension fund as a result of the 2007 - 2011 recession. Although investment proceeds have recovered, the Town is still mandated to adequately fund the pension plan on a sound actuarial basis. Therefore, the Town's contribution will increase by \$341,000.

While all medical benefit costs have been reduced, worker's compensation funding has been increased to \$175,000. This increase should level off the following fiscal year.

Capital Improvement Program

In fiscal year 2007- 2008, the Town instituted a Capital Improvement Program funding plan as follows:

Maximum future debt service	\$3.8 million
+	
<u>Annual Depreciation</u>	<u>\$2.5 million</u>
Total Debt + Pay-As-You-Go	\$6.3 million

This funding plan enables the Town to provide stable funding for capital improvement projects, either through Pay-As-You-Go (PAYG) or long-term debt (bonding). The following are my requests for funding in the PAYG plan of the Capital Budget:

Project Title	\$
General Property Improvements	50,000
Library Skylight Repairs	49,875
Senior and Disabled Entrance Canopy - This funding is to supplement the original \$50,000 of funding for the installation of the canopy over the main entrance to the Senior and Disabled Center.	40,000
Parks Storage Barn Roof Replacement	30,000
Roof Replacement - Transition Academy Wing - This would complete the construction of the Transition Academy. This roof section is in immediate need of repair. Replacement of the other sections of the Town Hall roof are proposed to be completed during the renovation of the present Town Hall.	116,500
Town Hall Architectural Planning. This would fund the design of proposed Town Hall/Recreation Center improvements. This would be part of a long-term capital project.	431,664
Information Technology Reserve	221,000
Radio Replacement Reserve	40,000
Access Control Locks - all Fire Dept Buildings	65,000
Fire Company 1 Resurfacing of Bay Floor	85,000
Fire Company 1 Replacement Windows	37,000
Road Reconstruction and Resurfacing Program	300,000
Sidewalk and Stone Wall Repair	25,000
Public Building Resurfacing Program	100,000
Single Stream Recycling Containers – This is the third of five yearly lease purchase payments.	111,594
Residential Trash Container Purchase - This is the buyout cost at the end of the residential trash contract for retention of the Town's trash receptacles.	125,000
Landfill Conversion to Transfer Station	25,000
Churchill Park RFP (Request for Proposal) - This will fund preliminary planning for renovation and analysis of Churchill Park/Pool.	25,000
Park & Playfield Improvements	50,000
Clem LeMire Drainage and Paving - This will expand the parking area at the park.	45,000
Equipment Replacement Reserve	283,089
Fire Apparatus Lease Payment	119,278
Total Town Share	2,375,000
Public School Capital Improvement Project Reserve Fund - Annual appropriation per Code of Ordinances.	125,000
NHS Code Compliance - Phase III	1,189,328
John Wallace Roof Replacement - Phase II	1,000,000
John Wallace, Martin Kellogg, NHS Career Tech Renovation (Architect Fees)	150,000
Total Education Share	2,464,328
Grand Total	4,839,328

Metropolitan District Commission (MDC)

The Town of Newington is a member of the MDC, a regional authority that provides water and wastewater service to the Town. The MDC funding for FY 2012 – 2013 is \$2,952,000, an increase of \$57,100 or 1.97%.

Debt Service

The Town's debt service will decrease by approximately \$76,000.

Board of Education

The Board of Education's requested budget is \$63,785,338, an increase of \$2,208,684, or 3.59%.

Revenues

As previously noted, the FY2012–2013 proposed budget includes several changes in State aid. The revenues to finance the proposed appropriations come from the following major sources:

TYPE	\$	%
Property Tax	81,752,447	78.4
Non-Tax Revenue	20,071,335	19.2
General Fund Balance	2,500,000	2.5
TOTAL	104,323,782	100.00

Fund Balance

Recognizing the impact of revaluation on the Town's taxpayers, I am proposing an increase in the utilization of the fund balance by \$500,000 to a new funding level of \$2,500,000. This would be a one-time revenue increase to help mitigate any tax increase. In order to ensure a stable fiscal position, the Town should maintain at least a 10% fund balance reserve. During FY 2011-12, the Town learned the importance of maintaining this reserve. As a result of Storm Alfred, the Town applied a special appropriation in the amount of \$1.7 million to finance storm related costs which qualify for a 75% reimbursement by FEMA. This reimbursement is expected to be received in the 2012-13 fiscal year. If it were to become available in FY 2011-12 the fund balance would equal 10.6% of the FY 2012-13 budget.

The following chart displays how the utilization of fund balance is maintained:

		Expenditure Level	%
Available Fund Balance 6/30/11	\$13,082,115	\$100,902,993	13%
Special Appropriations	(\$1,700,000)		
Estimated Excess Revenues	\$900,000		
Projected Fund Balance 6/30/12	\$12,282,115		
Retention @ 10%	(\$10,432,378)	\$104,323,782	10%
Amount Available	\$1,849,737*		

** Before the estimated reimbursement of \$1,275,000 from FEMA is received

Grand List and Mill Rate

As previously discussed, the Grand List will decrease by \$114 million due to the effects of revaluation. This represents a decrease of 5.5% when taking into account adjustments in the Grand List due to assessment reduction allowances and exemptions. It is important to note that unless the Town reduced spending by close to \$4.3 million we could not keep the same tax rate as FY2011–12 (30.02). The following chart represents the impact of revaluation on the tax rate for next fiscal year and the impact if the mill rate was to remain the same. It must be noted that keeping the amount of tax revenue stable would require a 31.77 mill rate which is the Adjusted Tax Rate (ATR).

Estimate of Levy and Mill Rate

	2010 Grand List	Levy Remains the Same 2011 Grand List	Required Levy to Keep Mill Rate the Same
Levy	\$78,637,729	\$78,637,729	\$74,302,043
Grand List	\$2,619,349,638	\$2,475,084,709	\$2,475,084,709
Mill Rate	30.02	31.77	30.02
Reduction in Spending:			(\$4,333,686)

Based on the October 1, 2011 Grand List the recommended mill rate for FY 2012-2013 is 33.03 mills or when compared to the Adjusted Tax Rate of 31.77, an increase of 1.26 mills or 3.97%.

Conclusion

My appreciation goes to all who assisted in the preparation of the budget proposal, including staff, boards, commissions and other interested parties. Particular thanks goes to Ann Harter, Lisa Rydecki and Jaime Trevethan, whose tireless work made this budget possible. I look forward to working with the Town Council to complete a budget that is effective, fiscally responsible and will maintain quality services within the Town of Newington.

Very truly yours,

John Salomone
Town Manager